

House Engrossed Senate Bill

State of Arizona
Senate
Forty-sixth Legislature
First Regular Session
2003

CHAPTER 171

SENATE BILL 1037

AN ACT

AMENDING SECTION 38-783, ARIZONA REVISED STATUTES; MAKING AN APPROPRIATION;
RELATING TO THE ARIZONA STATE RETIREMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 38-783, Arizona Revised Statutes, is amended to read:

38-783. Retired members; dependents; health insurance; premium payment; separate account; definitions

A. Subject to ~~subsection~~ SUBSECTIONS J, K AND L of this section, the board shall pay from ASRS assets part of the single coverage premium of any health and accident insurance for each retired, CONTINGENT ANNUITANT or disabled member of ASRS if the member elects to participate in the coverage provided by ASRS or section 38-651.01 or elects to participate in a health and accident insurance program provided or administered by an employer or paid for, in whole or in part, by an employer to an insurer. A CONTINGENT ANNUITANT MUST BE RECEIVING A MONTHLY RETIREMENT BENEFIT FROM ASRS IN ORDER TO OBTAIN ANY PREMIUM PAYMENT PROVIDED BY THIS SECTION. The board shall pay:

1. Up to one hundred fifty dollars per month for a ~~retired or disabled~~ member of ASRS who is not eligible for medicare ~~and who~~ IF THE RETIRED OR DISABLED MEMBER has ten or more years of credited service.

2. Up to one hundred dollars per month for each ~~retired or disabled~~ member of ASRS who is eligible for medicare ~~and who~~ IF THE RETIRED OR DISABLED MEMBER has ten or more years of credited service.

B. Subject to ~~subsection~~ SUBSECTIONS J, K AND L of this section, the board shall pay from ASRS assets part of the family coverage premium of any health and accident insurance for a retired, CONTINGENT ANNUITANT or disabled member of ASRS who elects family coverage and who otherwise qualifies for payment pursuant to subsection A of this section. Payment under this subsection is in the following amounts:

1. Up to two hundred sixty dollars per month if the ~~retired or disabled~~ member of ASRS and one or more dependents are not eligible for medicare.

2. Up to one hundred seventy dollars per month if the ~~retired or disabled~~ member of ASRS and one or more dependents are eligible for medicare.

3. Up to two hundred fifteen dollars per month if either:

(a) The ~~retired or disabled~~ member of ASRS is not eligible for medicare and one or more dependents are eligible for medicare.

(b) The ~~retired or disabled~~ member of ASRS is eligible for medicare and one or more dependents are not eligible for medicare.

C. In addition each retired, CONTINGENT ANNUITANT or disabled member of ASRS with less than ten years of credited service and a dependent of such a retired, CONTINGENT ANNUITANT or disabled member who elects to participate in the coverage provided by ASRS or section 38-651.01 or who elects to participate in a health and accident INSURANCE program provided or administered by an employer or paid for, in whole or in part, by an employer to an insurer is entitled to receive a proportion of the full benefit prescribed by subsection A or B of this section according to the following schedule:

1 1. 9.0 to 9.9 years of credited service, ninety per cent.
2 2. 8.0 to 8.9 years of credited service, eighty per cent.
3 3. 7.0 to 7.9 years of credited service, seventy per cent.
4 4. 6.0 to 6.9 years of credited service, sixty per cent.
5 5. 5.0 to 5.9 years of credited service, fifty per cent.
6 6. Those with less than five years of credited service do not qualify
7 for the benefit.

8 D. The board shall not pay more than the amount prescribed in this
9 section for a ~~retired or disabled~~ member of ASRS.

10 E. Through June 30, 2003, the board shall pay an insurance premium
11 benefit for each retired, CONTINGENT ANNUITANT or disabled member of ASRS who
12 is eligible for a premium benefit payment pursuant to subsection A of this
13 section and who lives in a nonservice area as follows:

14 1. Up to three hundred dollars per month for a ~~retired or disabled~~
15 member of ASRS who is not eligible for medicare ~~and who~~ IF THE RETIRED OR
16 DISABLED MEMBER has ten or more years of credited service.

17 2. Up to one hundred seventy dollars per month for a ~~retired or~~
18 ~~disabled~~ member of ASRS who is eligible for medicare ~~and who~~ IF THE RETIRED
19 OR DISABLED MEMBER has ten or more years of credited service.

20 F. Through June 30, 2003, the board shall pay from ASRS assets part
21 of the family coverage premium of any group health and accident insurance
22 coverage for a retired, CONTINGENT ANNUITANT or disabled member of ASRS who
23 is eligible for a premium benefit payment pursuant to subsection B of this
24 section and who lives in a nonservice area as follows:

25 1. Up to six hundred dollars per month if the ~~retired or disabled~~
26 member of ASRS and one or more dependents are not eligible for medicare.

27 2. Up to three hundred fifty dollars per month if the ~~retired or~~
28 ~~disabled~~ member of ASRS and one or more dependents are eligible for medicare.

29 3. Up to four hundred seventy dollars per month if either:

30 (a) The ~~retired or disabled~~ member of ASRS is not eligible for
31 medicare and one or more dependents are eligible for medicare.

32 (b) The ~~retired or disabled~~ member of ASRS is eligible for medicare
33 and one or more dependents are not eligible for medicare.

34 G. A retired, CONTINGENT ANNUITANT or disabled member of ASRS who is
35 enrolled in a managed care program in a nonservice area is not eligible for
36 the payment prescribed in subsection E or F of this section if the member
37 terminates coverage under the managed care program.

38 H. Through June 30, 2003, a retired, CONTINGENT ANNUITANT or disabled
39 member of ASRS may elect to purchase individual health care coverage and
40 receive a payment pursuant to this section through the retired or disabled
41 member's employer if that employer assumes the administrative functions
42 associated with the payment, including verification that the payment is used
43 to pay for health insurance coverage if the payment is made to the retired
44 or disabled member.

1 I. The board shall establish a separate account that consists of the
2 benefits provided by this section. The board shall not use or divert any
3 part of the corpus or income of the account for any purpose other than the
4 provision of benefits under this section unless the liabilities of ASRS to
5 provide the benefits are satisfied. If the liabilities of ASRS to provide
6 the benefits described in this section are satisfied, the board shall return
7 any amount remaining in the account to the employer.

8 J. Payment of the benefits provided by this section is subject to the
9 following conditions:

10 1. The payment of the benefits is subordinate to the payment of
11 retirement benefits payable by ASRS.

12 2. The total of contributions for the benefits and actual
13 contributions for life insurance protection, if any, shall not exceed
14 twenty-five per cent of the total actual employer and employee contributions
15 to ASRS, less contributions to fund past service credits, after the day the
16 account is established.

17 3. The board shall deposit the benefits provided by this section in
18 the account.

19 4. The contributions by the employer to the account shall be
20 reasonable and ascertainable.

21 K. A MEMBER WHO ELECTS TO RECEIVE A RETIREMENT BENEFIT PURSUANT TO
22 SECTION 38-760, SUBSECTION B, PARAGRAPH 1 MAY ELECT AT THE TIME OF RETIREMENT
23 AN OPTIONAL FORM OF HEALTH AND ACCIDENT INSURANCE PREMIUM BENEFIT PAYMENT
24 PURSUANT TO THIS SUBSECTION AS FOLLOWS:

25 1. THE OPTIONAL PREMIUM BENEFIT PAYMENT SHALL BE AN AMOUNT PRESCRIBED
26 BY SUBSECTION A, B, C, E OR F OF THIS SECTION THAT IS ACTUARIALLY REDUCED TO
27 THE RETIRING MEMBER FOR LIFE. THE AMOUNT OF THE OPTIONAL PREMIUM BENEFIT
28 PAYMENT SHALL BE THE ACTUARIAL EQUIVALENT OF THE PREMIUM BENEFIT PAYMENT TO
29 WHICH THE RETIRED MEMBER WOULD OTHERWISE BE ENTITLED. THE ELECTION IN A
30 MANNER PRESCRIBED BY THE BOARD SHALL NAME THE CONTINGENT ANNUITANT AND MAY
31 BE REVOKED AT ANY TIME BEFORE THE RETIRING MEMBER'S EFFECTIVE DATE OF
32 RETIREMENT. AT ANY TIME AFTER BENEFITS HAVE COMMENCED, THE MEMBER MAY NAME
33 A DIFFERENT CONTINGENT ANNUITANT OR RESCIND THE ELECTION BY WRITTEN NOTICE
34 TO THE BOARD AS FOLLOWS:

35 (a) IF THE RETIRED MEMBER NAMES A DIFFERENT CONTINGENT ANNUITANT, THE
36 OPTIONAL PREMIUM BENEFIT PAYMENT SHALL BE ADJUSTED TO THE ACTUARIAL
37 EQUIVALENT OF THE ORIGINAL PREMIUM BENEFIT PAYMENT BASED ON THE AGE OF THE
38 NEW CONTINGENT ANNUITANT. THE ADJUSTMENT SHALL INCLUDE ALL POSTRETIREMENT
39 INCREASES OR DECREASES IN AMOUNTS PRESCRIBED BY SUBSECTION A, B, C, E OR F
40 OF THIS SECTION THAT ARE AUTHORIZED BY LAW AFTER THE RETIRED MEMBER'S DATE
41 OF RETIREMENT. PAYMENT OF THIS ADJUSTED PREMIUM BENEFIT PAYMENT SHALL
42 CONTINUE UNDER THE PROVISIONS OF THE OPTIONAL PREMIUM BENEFIT PAYMENT
43 PREVIOUSLY ELECTED BY THE RETIRED MEMBER. A RETIRED MEMBER CANNOT NAME A
44 DIFFERENT CONTINGENT ANNUITANT IF THE RETIRED MEMBER HAS AT ANY TIME

1 RESCINDED THE OPTIONAL FORM OF HEALTH AND ACCIDENT INSURANCE PREMIUM BENEFIT
2 PAYMENT.

3 (b) IF THE RETIRED MEMBER RESCINDS THE ELECTION, THE RETIRED MEMBER
4 SHALL THEREAFTER RECEIVE THE PREMIUM BENEFIT PAYMENT THAT THE RETIRED MEMBER
5 WOULD OTHERWISE BE ENTITLED TO RECEIVE IF THE RETIRED MEMBER HAD NOT ELECTED
6 THE OPTIONAL PREMIUM BENEFIT PAYMENT, INCLUDING ALL POSTRETIREMENT INCREASES
7 OR DECREASES IN AMOUNTS PRESCRIBED BY SUBSECTION A, B, C, E OR F OF THIS
8 SECTION THAT ARE AUTHORIZED BY LAW AFTER THE MEMBER'S DATE OF
9 RETIREMENT. THE INCREASED BENEFIT PAYMENT SHALL CONTINUE DURING THE
10 REMAINDER OF THE RETIRED MEMBER'S LIFETIME. THE DECISION TO RESCIND SHALL
11 BE IRREVOCABLE.

12 2. IF, AT THE TIME OF THE RETIRED MEMBER'S DEATH:

13 (a) THE RETIRED MEMBER WAS RECEIVING A REDUCED PREMIUM BENEFIT PAYMENT
14 BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION B, C OR F OF THIS SECTION AND THE
15 CONTINGENT ANNUITANT IS ELIGIBLE FOR FAMILY HEALTH AND ACCIDENT INSURANCE
16 COVERAGE, THE CONTINGENT ANNUITANT IS ENTITLED TO RECEIVE A PREMIUM BENEFIT
17 PAYMENT BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION B, C OR F OF THIS SECTION
18 TIMES THE REDUCTION FACTOR APPLIED TO THE RETIRED MEMBER'S PREMIUM BENEFIT
19 PAYMENT TIMES THE JOINT AND SURVIVOR OPTION REDUCTION FACTOR ELECTED BY THE
20 RETIRED MEMBER AT THE TIME OF RETIREMENT PURSUANT TO SECTION 38-760,
21 SUBSECTION B, PARAGRAPH 1.

22 (b) THE RETIRED MEMBER WAS RECEIVING A REDUCED PREMIUM BENEFIT PAYMENT
23 BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION A, C OR E OF THIS SECTION AND THE
24 CONTINGENT ANNUITANT IS ELIGIBLE FOR SINGLE HEALTH AND ACCIDENT INSURANCE
25 COVERAGE, THE CONTINGENT ANNUITANT IS ENTITLED TO RECEIVE A PREMIUM BENEFIT
26 PAYMENT BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION A, C OR E OF THIS SECTION
27 TIMES THE REDUCTION FACTOR APPLIED TO THE RETIRED MEMBER'S PREMIUM BENEFIT
28 PAYMENT TIMES THE JOINT AND SURVIVOR OPTION REDUCTION FACTOR ELECTED BY THE
29 RETIRED MEMBER AT THE TIME OF RETIREMENT PURSUANT TO SECTION 38-760,
30 SUBSECTION B, PARAGRAPH 1.

31 (c) THE RETIRED MEMBER WAS RECEIVING A REDUCED PREMIUM BENEFIT PAYMENT
32 BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION B, C OR F OF THIS SECTION AND THE
33 CONTINGENT ANNUITANT IS NOT ELIGIBLE FOR FAMILY HEALTH AND ACCIDENT INSURANCE
34 COVERAGE, THE CONTINGENT ANNUITANT IS ENTITLED TO RECEIVE A PREMIUM BENEFIT
35 PAYMENT BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION A, C OR E OF THIS SECTION
36 TIMES THE REDUCTION FACTOR APPLIED TO THE RETIRED MEMBER'S PREMIUM BENEFIT
37 PAYMENT TIMES THE JOINT AND SURVIVOR OPTION REDUCTION FACTOR ELECTED BY THE
38 RETIRED MEMBER AT THE TIME OF RETIREMENT PURSUANT TO SECTION 38-760,
39 SUBSECTION B, PARAGRAPH 1.

40 L. A MEMBER WHO ELECTS TO RECEIVE A RETIREMENT BENEFIT PURSUANT TO
41 SECTION 38-760, SUBSECTION B, PARAGRAPH 2 MAY ELECT AT THE TIME OF RETIREMENT
42 AN OPTIONAL FORM OF HEALTH AND ACCIDENT INSURANCE PREMIUM BENEFIT PAYMENT
43 PURSUANT TO THIS SUBSECTION AS FOLLOWS:

44 1. THE OPTIONAL PREMIUM BENEFIT PAYMENT SHALL BE AN AMOUNT PRESCRIBED
45 BY SUBSECTION A, B, C, E OR F OF THIS SECTION THAT IS ACTUARIALLY REDUCED

1 WITH PAYMENTS FOR FIVE, TEN OR FIFTEEN YEARS THAT ARE NOT DEPENDENT ON THE
2 CONTINUED LIFETIME OF THE RETIRED MEMBER BUT WHOSE PAYMENTS CONTINUE FOR THE
3 RETIRED MEMBER'S LIFETIME BEYOND THE FIVE, TEN OR FIFTEEN YEAR PERIOD. THE
4 ELECTION IN A MANNER PRESCRIBED BY THE BOARD SHALL NAME THE CONTINGENT
5 ANNUITANT AND MAY BE REVOKED AT ANY TIME BEFORE THE RETIRING MEMBER'S
6 EFFECTIVE DATE OF RETIREMENT. AT ANY TIME AFTER BENEFITS HAVE COMMENCED, THE
7 MEMBER MAY NAME A DIFFERENT CONTINGENT ANNUITANT OR RESCIND THE ELECTION BY
8 WRITTEN NOTICE TO THE BOARD. IF THE RETIRED MEMBER RESCINDS THE ELECTION,
9 THE RETIRED MEMBER SHALL THEREAFTER RECEIVE THE PREMIUM BENEFIT PAYMENT THAT
10 THE RETIRED MEMBER WOULD OTHERWISE BE ENTITLED TO RECEIVE IF THE RETIRED
11 MEMBER HAD NOT ELECTED THE OPTIONAL PREMIUM BENEFIT PAYMENT, INCLUDING ALL
12 POSTRETIREMENT INCREASES OR DECREASES IN AMOUNTS PRESCRIBED BY SUBSECTION A,
13 B, C, E OR F OF THIS SECTION THAT ARE AUTHORIZED BY LAW AFTER THE MEMBER'S
14 DATE OF RETIREMENT. THE INCREASED BENEFIT PAYMENT SHALL CONTINUE DURING THE
15 REMAINDER OF THE RETIRED MEMBER'S LIFETIME. THE DECISION TO RESCIND SHALL
16 BE IRREVOCABLE.

17 2. IF, AT THE TIME OF THE RETIRED MEMBER'S DEATH:

18 (a) THE RETIRED MEMBER WAS RECEIVING A REDUCED PREMIUM BENEFIT PAYMENT
19 BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION B, C OR F OF THIS SECTION AND THE
20 CONTINGENT ANNUITANT IS ELIGIBLE FOR FAMILY HEALTH AND ACCIDENT INSURANCE
21 COVERAGE, THE CONTINGENT ANNUITANT IS ENTITLED TO RECEIVE A PREMIUM BENEFIT
22 PAYMENT BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION B, C OR F OF THIS SECTION
23 TIMES THE PERIOD CERTAIN AND LIFE OPTION REDUCTION FACTOR ELECTED BY THE
24 RETIRED MEMBER AT THE TIME OF RETIREMENT PURSUANT TO SECTION 38-760,
25 SUBSECTION B, PARAGRAPH 2.

26 (b) THE RETIRED MEMBER WAS RECEIVING A REDUCED PREMIUM BENEFIT PAYMENT
27 BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION A, C OR E OF THIS SECTION AND THE
28 CONTINGENT ANNUITANT IS ELIGIBLE FOR SINGLE HEALTH AND ACCIDENT INSURANCE
29 COVERAGE, THE CONTINGENT ANNUITANT IS ENTITLED TO RECEIVE A PREMIUM BENEFIT
30 PAYMENT BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION A, C OR E OF THIS SECTION
31 TIMES THE PERIOD CERTAIN AND LIFE OPTION REDUCTION FACTOR ELECTED BY THE
32 RETIRED MEMBER AT THE TIME OF RETIREMENT PURSUANT TO SECTION 38-760,
33 SUBSECTION B, PARAGRAPH 2.

34 (c) THE RETIRED MEMBER WAS RECEIVING A REDUCED PREMIUM BENEFIT PAYMENT
35 BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION B, C OR F OF THIS SECTION AND THE
36 CONTINGENT ANNUITANT IS NOT ELIGIBLE FOR FAMILY HEALTH AND ACCIDENT INSURANCE
37 COVERAGE, THE CONTINGENT ANNUITANT IS ENTITLED TO RECEIVE A PREMIUM BENEFIT
38 PAYMENT BASED ON AN AMOUNT PRESCRIBED IN SUBSECTION A, C OR E OF THIS SECTION
39 TIMES THE PERIOD CERTAIN AND LIFE OPTION REDUCTION FACTOR ELECTED BY THE
40 RETIRED MEMBER AT THE TIME OF RETIREMENT PURSUANT TO SECTION 38-760,
41 SUBSECTION B, PARAGRAPH 2.

42 M. IF, AT THE TIME OF RETIREMENT, A RETIRING MEMBER DOES NOT ELECT TO
43 RECEIVE A REDUCED PREMIUM BENEFIT PAYMENT PURSUANT TO SUBSECTION K OR L OF
44 THIS SECTION, THE RETIRED MEMBER'S CONTINGENT ANNUITANT IS NOT ELIGIBLE AT
45 ANY TIME FOR THE OPTIONAL PREMIUM BENEFIT PAYMENT.

1 N. A CONTINGENT ANNUITANT IS NOT ELIGIBLE FOR ANY PREMIUM BENEFIT
2 PAYMENT IF THE CONTINGENT ANNUITANT WAS NOT ENROLLED IN AN ELIGIBLE HEALTH
3 AND ACCIDENT INSURANCE PLAN AT THE TIME OF THE RETIRED MEMBER'S DEATH OR IF
4 THE CONTINGENT ANNUITANT IS NOT THE DEPENDENT BENEFICIARY OR INSURED
5 SURVIVING DEPENDENT AS PROVIDED IN SECTION 38-782.

6 ~~K.~~ 0. For the purposes of this section:

7 1. "Account" means the separate account established pursuant to
8 subsection I of this section.

9 2. "Credited service" includes prior service.

10 3. "Nonservice area" means an area in this state in which ASRS
11 pursuant to section 38-782, the department of administration pursuant to
12 section 38-651.01 or any employer does not provide or administer a health
13 care services organization program, excluding any preferred provider
14 organization program or individual health indemnity policy, for which the
15 retired, CONTINGENT ANNUITANT or disabled member of ASRS is eligible.

16 4. "Prior service" means service for this state or a political
17 subdivision of this state before membership in the defined contribution
18 program administered by ASRS.

19 Sec. 2. Appropriation; purpose; exemption

20 A. The sum of \$537,000 is appropriated from the Arizona state
21 retirement system administration account in fiscal year 2003-2004 to the
22 Arizona state retirement system for the administrative implementation of this
23 act.

24 B. The appropriation made in subsection A of this section is exempt
25 from the provisions of section 35-190, Arizona Revised Statutes, relating to
26 lapsing of appropriations.

27 Sec. 3. Applicability

28 The optional premium benefit payment provided by this act applies to
29 members who retire from and after December 31, 2003.

APPROVED BY THE GOVERNOR MAY 7, 2003.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 7, 2003.

Passed the House April 10, 2003

by the following vote: 58 Ayes,

0 Nays, 2 Not Voting

John Elak
Speaker of the House

Norman L. Moore
Chief Clerk of the House

Passed the Senate March 12, 2003

by the following vote: 29 Ayes,

0 Nays, 1 Not Voting

Ken Bennett
President of the Senate

Charmine Bell
Secretary of the Senate

**EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR**

This Bill was received by the Governor this

_____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of

_____, 20____,

at _____ o'clock _____ M.

Governor of Arizona

S.B. 1037

**EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE**

This Bill was received by the Secretary of State

this _____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary of State

SENATE CONCURS IN HOUSE AMENDMENTS
AND FINAL PASSAGE

Passed the Senate May 1, 2003,

by the following vote: 29 Ayes,

0 Nays, 1 Not Voting

Ken Blumett
President of the Senate
Charmine Ballington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

1 day of May, 2003,

at 3:29 o'clock P. M.

Sandra Ramirez
Secretary to the Governor

Approved this 7 day of

May, 2003,

at 10⁰⁰ o'clock A. M.

Janet Noyes
Governor of Arizona

S.B. 1037

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 7 day of May, 2003,

at 4:09 o'clock P. M.

Janice K. Brewer
Secretary of State